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TO: Legislative Finance Committee

FROM: Robert J. Robinson, Associate Fiscal Analyst

SUBJECT: Coal Impact and Coal Board Grants

*RR*

Coal Development Summary

Prior to 1970 fewer than a million tons of coal were mined annually in Montana. The mines operating prior to the 1970's were relatively small by today's standards and provided only for regional needs. The P-M and Divide mining companies near Roundup produced coal for domestic heating purposes throughout eastern Montana while the Knife River mine near Savage, Montana produced coal burned in an adjoining electrical generation plant.

The development of coal reserves in the seventies is primarily concentrated in the strip mines of Rosebud and Big Horn counties in southeastern Montana. Coal production has increased substantially since 1970. More than twenty-six million tons were severed in 1976. Projections indicate coal production may exceed 96 million tons by 1990. Table 1 shows the actual coal production from 1968 to 1976 and projections through 1990.

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Table 1. Coal Production in Montana<sup>1</sup>  
(Millions of Tons)

	<u>Actual</u>		<u>Projections</u>
1968	.55	1977	27.18
1969	1.002	1978	34.98
1970	3.467	1980	49.68
1971	7.004	1985	91.68
1972	8.241	1990	96.60
1973	10.655		
1974	14.113		
1975	22.162		
1976	26.346		

1. Montana Energy Research and Conservation Office - Actual production based on reports submitted by the coal companies. Projections developed by the Energy Research and Conservation Office.

Nearly all of the increased coal production comes from the four major strip mines: the Western Energy, Peabody, Westmoreland and Decker mines.

The Western Energy mine adjoins the town of Colstrip and the Peabody mine is a few miles south. The Westmoreland mine is approximately 25 miles east of Hardin. The Decker mine, the largest in the state, is adjacent to the southern end of the Tongue River Reservoir near the Montana-Wyoming border.

In addition to the long-range mining expansion plans of the existing companies, five other companies are planning mining activity or actually have applied for mining permits.

The map in appendix B indicates the location of the existing mines, and areas in the preplanning or permit application stage of the other five companies.



If the mines now in the preliminary stage become a reality and the currently operating mines continue to expand, the production projections shown for 1985 and 1990 may be realized.

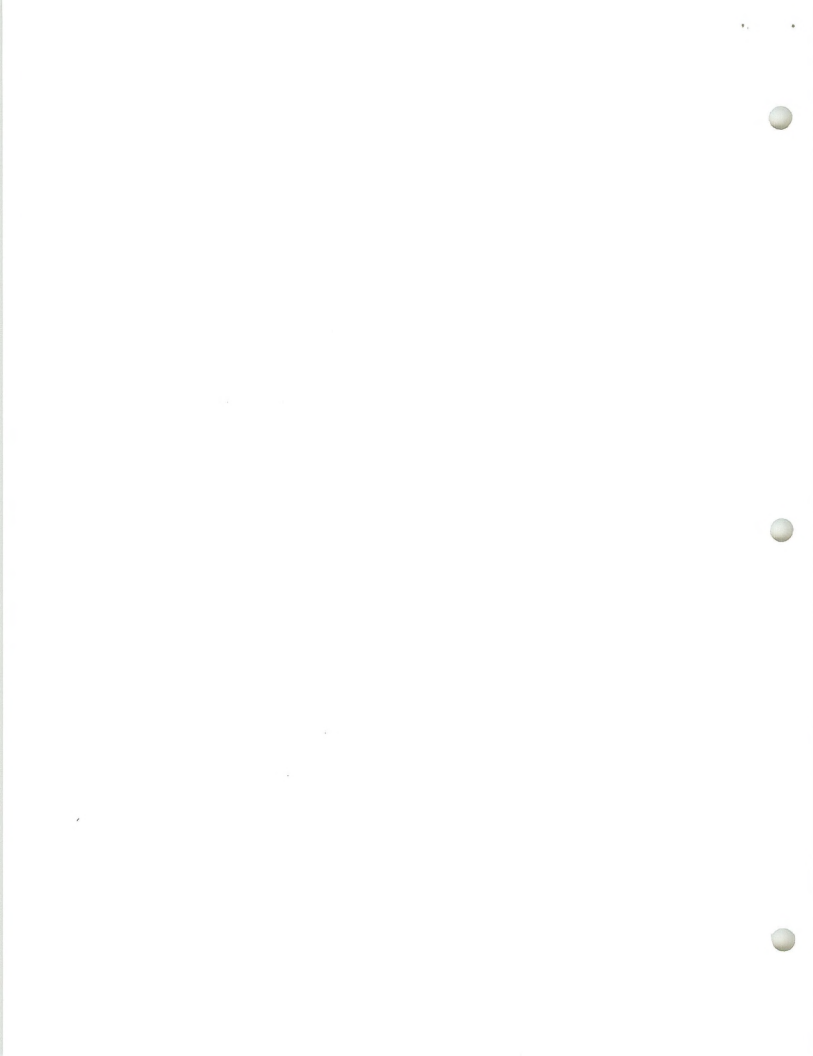
Westmoreland Resources company is planning to erect a new 110 cubic yard dragline to be operable in early 1979. The additional machine will increase the production potential for the Westmoreland company significantly as it is presently operating a seventy-five cubic yard dragline.

If Colstrip power plants number three and four are erected, the amount of coal to be supplied by the Western Energy company mines for electrical generation will probably increase. The two additional plants will consume twice the present coal production of the Western Energy mine.

The Decker Coal company is in the process of removing the overburden for the new "Decker East" permit area. The east pit, (the triangular area on the map) will be mined as a "truck and shovel" operation as opposed to the dragline operation in the other mines.

It is estimated that the Decker area will be one of the largest coal producing areas in the world if the proposals for mining by Decker, Shell Oil, Consolidation Coal and the Spring Creek company all become reality.

The Nance Ranch along the Tongue River has been purchased by parties interested in mining coal. Plans for development in this area are in the preliminary planning stage.



The Amax Company is negotiating with the Crow Indian tribe for rights to mine the tribal-owned coal north of the reservation. Negotiations have been carried on for some time and any estimate of a timetable for coal production in the area would be speculative.

The new federal strip mine requirements approved by Congress this summer may slow down some of the proposed development. This legislation prevents mining on alluvial valley floors and several of the proposed mining areas may include such areas. The Nance ranch seems to be particularly affected by the regulation because of its proximity to the Tongue River.

#### Legislative Action Relating to Coal

As the interest in large-scale coal development accelerated in the early 1970's, the state legislature expressed concern that land in Montana not be abused and ruined and also that a natural resource within the state not be extracted without compensation.

The 1971 legislature enacted the Montana Open Cut or Strip Mine Reclamation Act to prevent permanent destruction of the surface land by strip mining. The 1973 legislature virtually replaced the 1971 act with its enactment of the Montana Strip Mine Reclamation Act which is purported to contain the most stringent mining and land reclamation standards in the United States today. The 1975 legislature amended the 1973 act to also include regulations for underground mining.

The 1973 legislature also passed the Montana Resource Indemnity Trust Act, as required by the 1972 constitution, which levied a tax of





1/2 of 1 percent of the gross value of production at the time of extraction of non-renewable natural resources. The intent of the tax was to provide a fund for security against loss or damage to the environment caused by mineral extraction.

The 1974 legislature passed three resolutions requesting studies on coal taxation.

The 1975 legislature enacted a new coal severance tax at 30 percent of the contract sales price except for coal under 7,000 Btu which was taxed at 20 percent of value. The gross proceeds method of establishing value for property tax purposes was also enacted.

Since the enactment of the new tax rates, the coal severance tax collections have increased significantly. Table 2 shows the actual tax proceeds from 1968 to 1977 by fiscal year and projections through 1979.

Table 2. Coal Tax Revenue 1968 - 1979\*  
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Actual Collections</u>	<u>Fiscal Year</u>	<u>Projected Collections</u>
1968	.01	1978	47.00
1969	.02	1979	56.00
1970	.05		
1971	.21		
1972	.48		
1973	.69		
1974	3.32		
1975	5.40		
1976	22.92		
1977	34.47		

\* New tax rate effective in fiscal 1976.



As the new tax on coal was being set and significant revenue increases anticipated, the 1975 legislature apportioned the proceeds among nine funds, trusts and earmarked revenue accounts. In 1977 the legislature reallocated the distribution of the coal funds to allow for the establishment of the permanent coal trust fund.

#### Local Impact

One of the major allocations of coal tax moneys is for "local impact" grants. The present law allocates 12.6 percent of collections for this purpose. Grants are made by the coal board "to local government units and state agencies to assist local governmental units in meeting the local impact of coal development by enabling them to adequately provide governmental services and facilities which are needed as a direct consequence of coal development" (Section 50-1806 R.C.M. 1947).

In accomplishing that purpose Section 50-1806 R.C.M. 1947 directed the coal board that "grants shall be awarded on the basis of a) need, b) degree of severity of impact from the coal development, c) availability of funds and d) degree of local effort in meeting the needs." The law further states that the coal board shall formulate guidelines to evaluate local effort considering bond issues and millage levels.

Further indication of legislative intent as to the use of local impact funds is contained in the free joint conference report on Senate Bills 13 and 87 of the 1975 legislature. The report states that one of the three main objectives in setting the new tax level and its apportionment



is "to respond to current social impacts attributable to coal development."

The coal board adopted guidelines as required by law to evaluate applications for local impact funds.

Need is judged by "assistance required to eliminate or reduce a direct and obvious threat to the public health, safety and welfare that has been caused as a direct result of coal development."

Severity of impact is evaluated by the "rapidity of growth and subsequent expansion of the problem and the number of people affected."

Degree of local effort is measured by the bonding and millage efforts in the past, those currently being made and efforts made to secure funds from other sources.

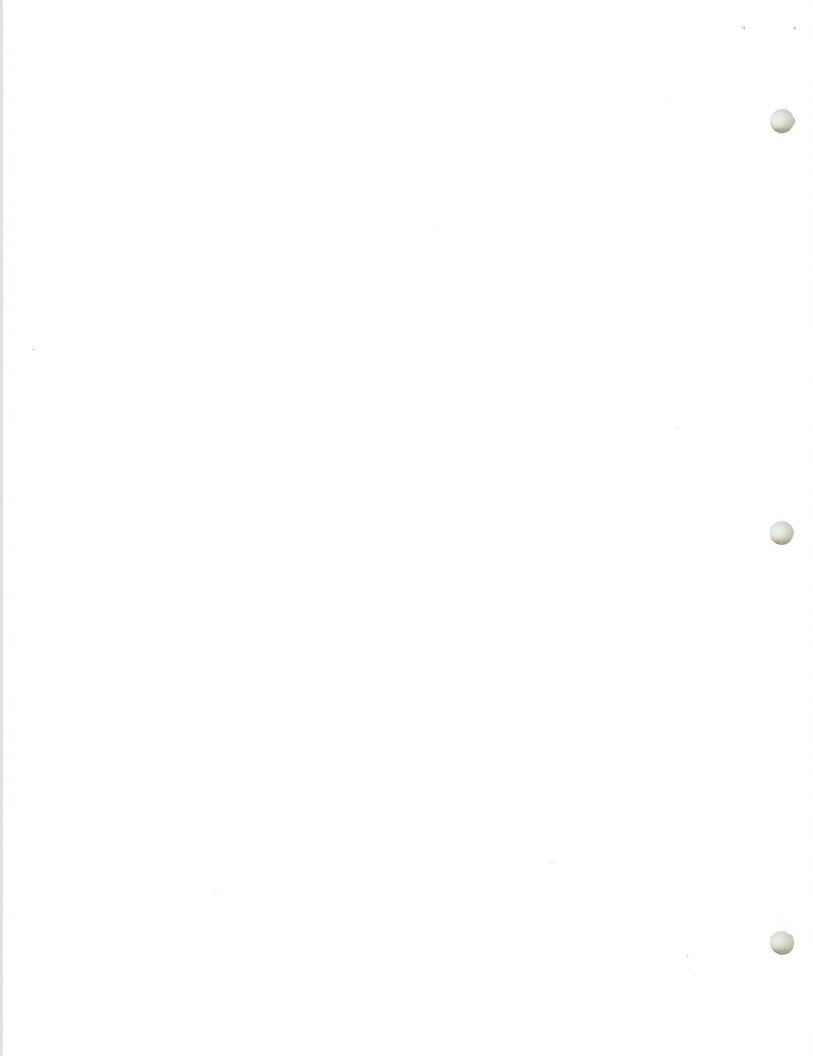
Availability of funds considers the amount of funds available in light of the requests submitted.

#### County Impacts

##### Inter-County Comparisons

The 1977 legislature required in H.B. 145 that coal board grants "may be made only upon certification to the coal board by the reclamation division of the department of state lands that significant development will affect the area in which the grant is to be spent."

Only Big Horn, Rosebud and Treasure counties have been certified by the land department as having significant development. The taxable



valuation in two of the counties has increased substantially since coal and related development commenced.

The valuations have increased in Rosebud and Big Horn counties because of the existence of new generating facilities and mining equipment and the inclusion of the gross proceeds of coal sales on the property tax rolls. Treasure county has experienced growth in its taxable value but not to the degree of the other counties.

Table 3 summarizes the growth in the taxable valuation and the corresponding county mill levies in the three designated counties.

Table 3. Taxable Values and Mill Levies  
Big Horn, Rosebud, Treasure Counties - Fiscal 1973-1977

	<u>1977-78</u>	<u>1976-77</u>	<u>1975-76</u>	<u>1974-75</u>	<u>1973-74</u>	<u>1972-73</u>
<u>Big Horn County</u>						
Taxable Valuation	\$54,333,415	\$47,881,802	\$40,513,241	\$29,412,823	\$15,819,457	\$14,479,872
Cty. Operation Mills	24.85	14.83	27.20	26.72	42.22	44.28
<u>Rosebud</u>						
Taxable Valuation	\$86,650,787	\$70,704,358	\$42,833,620	\$25,666,296	\$19,612,993	\$18,121,757
Cty. Operation Mills	16.517	22.117	24.048	34.384	45.930	45.437
<u>Treasure County</u>						
Taxable Valuation	\$3,925,544	\$3,737,342	\$3,591,578	\$3,479,830	\$3,049,773	\$2,601,459
Cty. Operation Mills	47.82	46.40	51.82	46.00	33.50	33.80

Table 3 indicates that mill levies in Big Horn and Rosebud counties have decreased significantly since 1973. Treasure county levies have increased about 2.8 mills per year over the 5-year period.

The following tables compare the taxable value and mill levies for fiscal 1978 of the designated coal impacted counties to other counties of similar population and of similar land area.





Table 4 indicates that the taxable valuation in Rosebud and Big Horn counties is much greater than that of counties of similar population. The mill levies are significantly lower than comparable counties. Treasure county though not a coal producer has been designated as impacted. While the taxable valuation is not as great as in similarly populated counties, the mills levied for county operations are somewhat lower.

An argument could be made that the services a county must provide are more closely related to land area rather than population. Table 5 compares the taxable valuation and mill levies of counties of similar land areas. Again Rosebud and Big Horn counties have much higher valuations and much lower tax levies than the comparable counties. Treasure county appears in this case to fall into the middle of the five counties compared.

The low mill levies in Rosebud and Big Horn counties indicate that the counties have substantial unused fiscal capacity to meet public needs occasioned by coal development. Under such a circumstance, allocations of state grants to these counties would seem to constitute property tax relief to those areas paying the lowest taxes.

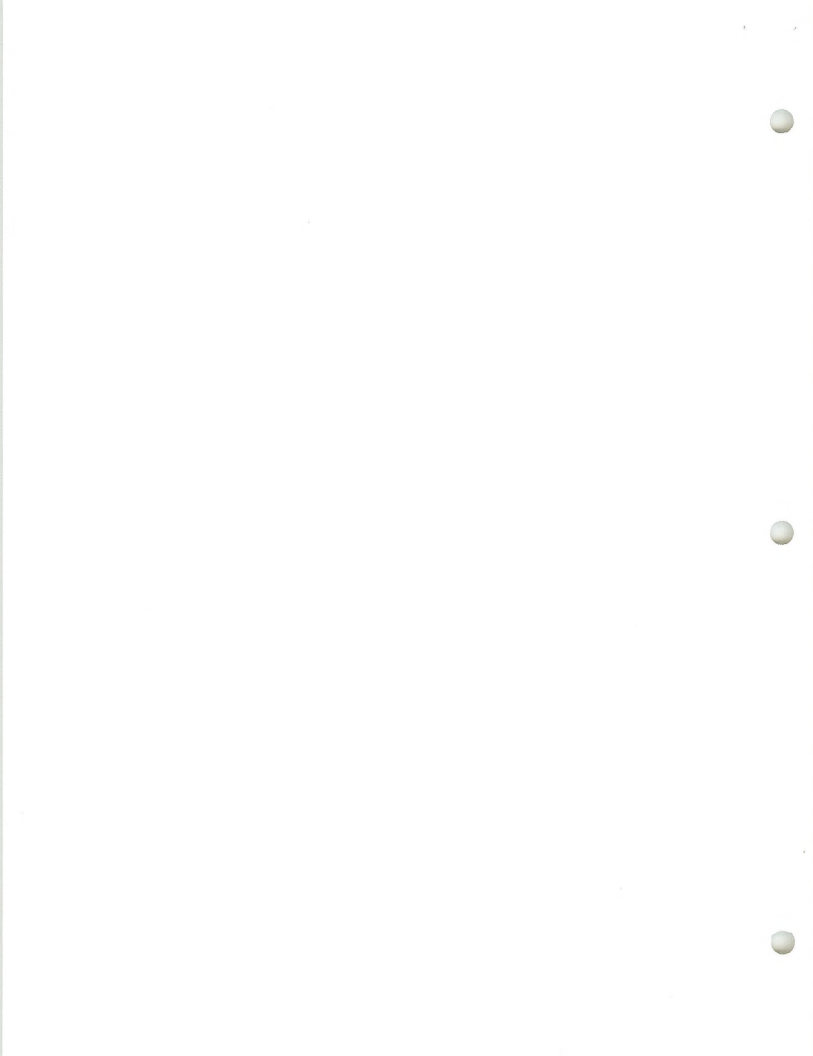


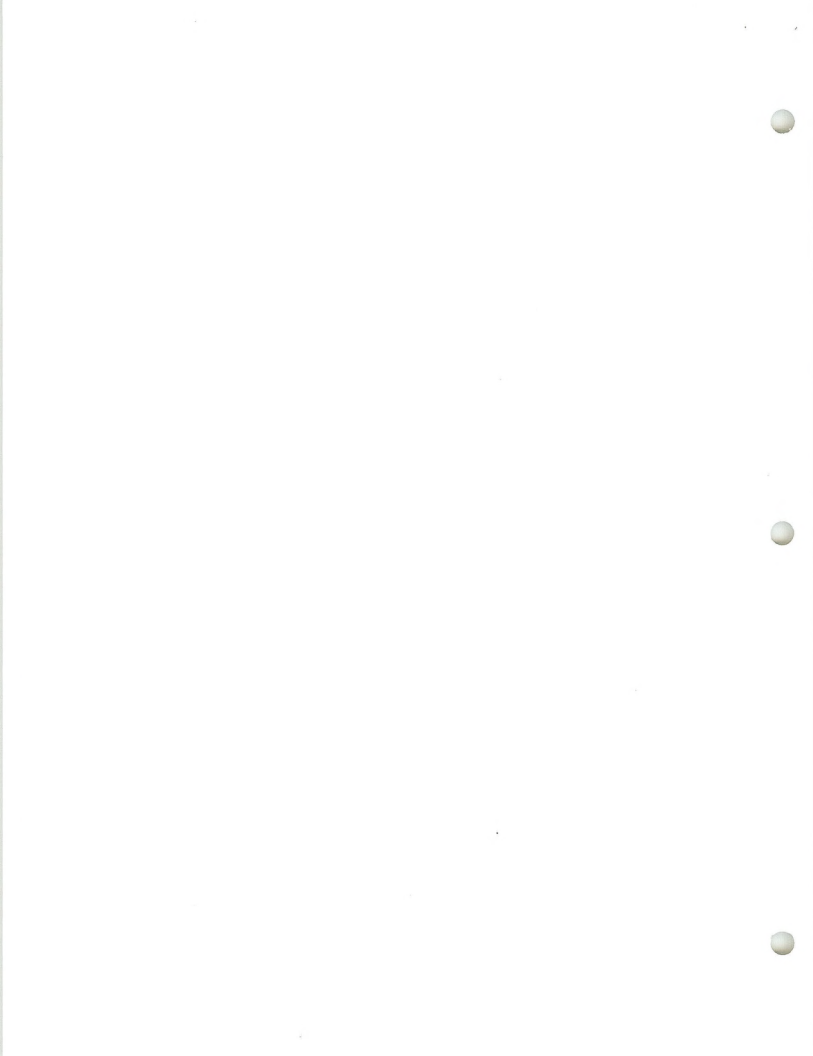
Table 4  
Fiscal 1978 Comparison of Taxable Valuation and Mill Levies For  
County Operations For Counties of Similar Populations\*

<u>County</u>	<u>County Population (7/1/76)</u>	<u>Taxable Valuation</u>	<u>County Operation Mills</u>
<u>Big Horn</u>	10,600	\$54,333,415	24.85
<u>Rosebud</u>	9,900	86,650,787	16.517
Carbon	8,300	19,600,084	55.15
Dawson	11,200	20,135,272	59.30
Glacier	10,900	31,293,688	38.07
Park	12,600	16,467,795	53.27
Richland	10,300	34,529,411	31.88
Roosevelt	10,500	22,890,398	44.15
<u>Treasure</u>	1,300	\$3,925,544	47.82
Carter	1,800	7,929,414	58.50
Garfield	1,800	6,906,698	60.40
Prairie	1,700	5,466,470	71.96
Wibaux	1,500	8,237,682	55.87

Table 5  
Fiscal 1978 Comparison of Taxable Valuation and Mill Levies for  
County Operations for Counties of Similar Land Area

	<u>County Land Area Square Miles</u>	<u>Taxable Valuation</u>	<u>County Operation Mills</u>
<u>Big Horn</u>	5,055	\$54,333,415	24.85
<u>Rosebud</u>	5,042	86,650,787	16.517
Blaine	4,279	19,358,510	58.06
Flathead	5,280	63,152,554	58.41
Garfield	4,812	6,906,698	60.40
Phillips	5,287	13,044,980	59.86
<u>Treasure</u>	997	\$3,925,544	47.82
Broadwater	1,245	6,667,602	43.49
Golden Valley	1,180	4,058,458	46.83
Mineral	1,223	4,334,419	65.87
Wibaux	891	8,237,682	55.87

\* Underlined counties are designated as impacted by coal development.



The average number of mills levied by counties in Montana in fiscal 1977 was 51.82 mills while Big Horn county levied only 14.83 mills and Rosebud county levied 22.117 mills. The only county that approaches the small number of mills levied in Rosebud and Big Horn counties is Musselshell county (which also has two coal mines). It levied 17.05 mills in fiscal 1977.

From these comparisons, it seems clear that the major coal producing counties have enjoyed a significant tax reduction as a result of the introduction of coal mining and electrical generating facilities. Far from having a negative impact on the counties' abilities to meet financial requirements, coal development has mushroomed the tax base past the counties' financial needs. (Witness falling millage and rising valuations.) The result has been a major tax break for the wealthiest area of the state.

#### Rural Improvement Districts

A major item of concern regarding coal impact grants to counties is the creation of rural improvement districts for the purpose of providing services to specific areas within counties.

Attorney General Greely issued opinion number 22 defining for the coal board that local governmental units include counties, incorporated cities and towns, consolidated local governments, school districts and any other statutorily created government unit, county water and sewer districts, and rural improvement districts which include areas in more than one county. In addition, the opinion states that a county may



apply for a grant to a rural improvement district entirely within the boundaries of the county and cities and towns may apply for grants for improvements and expenses of special improvement districts.

Unincorporated towns within Rosebud county have petitioned for and the county commission has created seven rural improvement districts since 1976. The coal board has granted \$1,182,352 to six of the improvement districts since their creation. Table 6 shows the dollar amount of the grants by district, the year the district was established, and the district's local effort.

Table 6. Rural Improvement District Grants

<u>District</u>	<u>Year Created</u>	<u>Coal Board Grant</u>	<u>Local Effort</u>
Ashland Water & Sewer District	1977	\$ 71,080	-0-
Ashland Rural Fire District	1977	45,000	-0-
Colstrip Sewer District	1977	538,000	\$248,000 Sale of Bonds
Colstrip Special Fire District	1975	20,000*	5.308 Mills
Colstrip Water District	1977	457,272	\$142,000 Sale of Bonds
Rosebud Cty. Water & Sewer Dist.	1976	51,000	-0-

\* Grant total was \$83,000 - \$20,000 for fire equipment and \$63,000 street maintenance equipment for the county to maintain the streets of Colstrip.

Although the table indicates the issuance of bonds for local effort, they have not been sold at this time.

Table 6 shows that Colstrip has been given three large grants by the coal board. These grants were possible because of the creation of rural improvement districts. Colstrip, itself, is unincorporated and thus not a governmental entity eligible for state grants.





Incorporation apparently has been resisted because public needs can be met through the creation of county rural improvement districts and the management, planning and fiscal resources of Western Energy Company. Although the coal board has required the improvement districts to bond for a portion of the sewer and water improvement expenses, the tax burden is minimal. Table 7 shows the city and county tax burden of several incorporated towns similar in population to Colstrip.

Table 7. Comparison of Town and County Taxes  
For Selected Communities for Fiscal 1977\*

<u>Town</u>	<u>Estimated Population</u>	<u>County Mills on City Property</u>	<u>Town Mill Levy</u>	<u>Total</u>
<u>Colstrip</u>	2,200	22.11	5.03	27.14
<u>Forsyth</u>	2,449	10.36	69.00	79.36
<u>Hardin</u>	2,877	8.20	67.50	75.70
<u>Baker</u>	2,564	24.65	65.00	89.65
<u>Browning</u>	2,092	36.52	54.50	91.02
<u>Chinook</u>	1,839	39.58	79.00	118.58
<u>East Helena</u>	1,830	53.24	65.00	118.24
<u>Fort Benton</u>	1,809	34.33	76.86	111.19
<u>Malta</u>	2,379	41.72	66.70	108.42
<u>Red Lodge</u>	2,129	38.19	67.80	105.99
<u>Ronan</u>	1,837	41.74	64.75	106.49
<u>Roundup</u>	2,263	11.72	62.00	73.72
<u>Shelby</u>	2,947	54.16	58.38	112.54

\* Two other unincorporated places, Centerville-Dublin Gulch and Black Eagle have similar populations and are situated adjacent to larger urban areas. In these areas the mill levies are more than double the Colstrip levies.

The table shows that the tax burden of the property owners in Colstrip is much less than that of similar sized communities. The financial contribution of Western Energy Company to public investment is an important factor in explaining Colstrip's lower levies. However, it is



questionable public policy to allocate over \$1 million of state dollars to the benefit of individuals paying some of the lowest property taxes in the state.

Coal Impact on Incorporated Towns

Forsyth, Hardin, Lodge Grass and Hysham have all utilized coal grants to replace and update city utilities and equipment. The grants to those communities total \$2,191,534. (See appendix A for itemization.)

The growth in taxable valuation has been less in the incorporated towns of the coal development region than in the counties. Table 8 shows the changes in taxable valuation and mill levies of the impacted incorporated cities since 1972.

Table 8

	<u>1976-77</u>	<u>1975-76</u>	<u>1974-75</u>	<u>1973-74</u>	<u>1972-73</u>
<u>Hardin</u>					
Taxable Valuation	\$3,213,857	\$3,158,434	\$2,960,026	\$2,618,028	\$2,485,212
City Operating Mills	67.50	67.50	62.50	57.25	51.12
<u>Lodge Grass</u>					
Taxable Valuation	\$234,222	\$258,334	\$282,401	\$234,222	\$219,802
City Operating Mills	65.00	65.00	65.00	60.00	60.00
<u>Forsyth</u>					
Taxable Valuation	\$2,043,000	\$2,154,652	\$2,140,950	\$1,660,622	\$1,593,052
City Operating Mills	69.00	69.00	55.00	55.00	48.00
<u>Hysham</u>					
Taxable Valuation	\$429,509	\$441,739	\$395,440	\$371,784	\$308,417
City Operating Mills	79.00	81.20	84.50	87.10	97.10

The growth rate from 1973 to 1977 ranges from an average of 8.5 percent per year in Hysham to 1.64 percent per year in Lodge Grass. The



taxable valuation increase in Forsyth and Hardin has averaged approximately seven percent per year over the same period.

The decrease in valuation in Forsyth and Hysham between fiscal 1976 and 1977 represent one-time fluctuations. The decline in valuation in Lodge Grass may be long-term and is due to the local co-op moving out of the city limits and the transfer of some real property to tribal ownership. Hysham's decrease resulted from the removal of a large amount of construction equipment from the city after the completion of a construction job. Forsyth's decrease was due to the removal from the railroad yards of a large amount of wire temporarily stored by a local utility.

Each incorporated town except Hysham has increased its tax levies since 1972. The tax reduction in Hysham resulted from the completion of payments on a water and sewer bond issue.

Forsyth, Lodge Grass and Hysham are all levying the maximum all purpose levy allowed by law (84-4701.2 R.C.M. 1947).

The important point is that the taxable valuations of the incorporated towns, unlike those of the counties, do not respond directly to coal development. (There is some evidence to suggest that coal development has served to increase the taxable valuation of Hardin. Between 1974 and 1977 taxable valuation increased over 20 percent. This increase substantially offset the negative impact of closing a sugar beet factory in 1970.) Thus, for these governmental jurisdictions which are levying legal maximums, there is no locally generated funding source to initially support large population influxes. However, as development



proceeds, towns impacted by coal development should experience an increase in their taxable valuations. These increases will occur as populations grow, houses are built and businesses expanded.

Impact on Schools

Of the twenty-five school districts in the coal impacted counties, ten encompass mining areas and have experienced substantial increases in taxable valuation.

Student enrollment increases due to coal development have not necessarily occurred in the same districts as have the taxable valuation increases. Eight districts have experienced large increases in enrollments yet only five had corresponding increases in taxable valuation.

The following tables present the districts that have experienced sizeable increases in taxable valuation or enrollments. The taxable valuation per student series is a common base which can be used to compare both the impact on the district and its ability to finance the school operations.





Table 9  
High School Districts with Large Increases in Taxable Valuation  
or Enrollments Due to Coal Development

	<u>1976-77</u>	<u>1975-76</u>	<u>1974-75</u>	<u>1973-74</u>	<u>1972-73</u>	<u>1971-72</u>	<u>1970-71</u>
<u>Colstrip H.S.</u>							
Taxable							
Valuation	\$44,387,328	\$23,939,171	\$11,604,626	\$9,480,690	\$8,317,216	\$4,719,824	\$3,131,158
Enrollment	198	211	186	162	128	110	98
Tax Base Per Student	\$224,178	\$113,456	\$62,390	\$58,523	\$64,978	\$42,907	\$31,951
<u>Forsyth H.S.</u>							
Taxable							
Valuation	\$15,684,057	\$13,173,249	\$8,453,852	\$7,130,988	\$6,140,200	\$5,780,214	\$5,845,752
Enrollment	235	235	219	210	182	178	183
Tax Base Per Student	\$66,741	\$56,056	\$38,602	\$33,957	\$33,737	\$32,473	\$31,944
<u>Hardin H.S.*</u>							
Taxable							
Valuation	\$19,647,030	\$15,989,243	\$12,929,815	\$11,011,884	\$10,246,547	\$10,388,257	\$10,006,356
Enrollment	551	571	502	493*	451*	478*	465*
Tax Base Per Student	\$35,657	\$24,500	\$25,757	\$22,336	\$22,720	\$21,733	\$21,519
<u>Lodge Grass H.S.</u>							
Taxable							
Valuation	\$27,431,266	\$25,745,063	\$15,571,704	\$7,736,500	\$4,233,738	\$3,608,159	\$3,486,821
Enrollment	153	152	140	163	180	146	137
Tax Base Per Student	\$179,286	\$169,375	\$111,226	\$47,463	\$23,521	\$24,713	\$25,451
<u>Rosebud H.S.</u>							
Taxable							
Valuation	\$2,568,480	\$2,684,082	\$3,128,473	\$2,710,712	\$2,542,089	\$2,609,764	\$2,769,435
Enrollment	70	65	53	56	51	55	50
Tax Base Per Student	\$36,693	\$41,294	\$59,028	\$48,406	\$49,845	\$47,450	\$55,389

\* Hardin enrollments 1970 through 1974 reflect the addition to the high school enrollment of one-third of the reported junior high school enrollment.

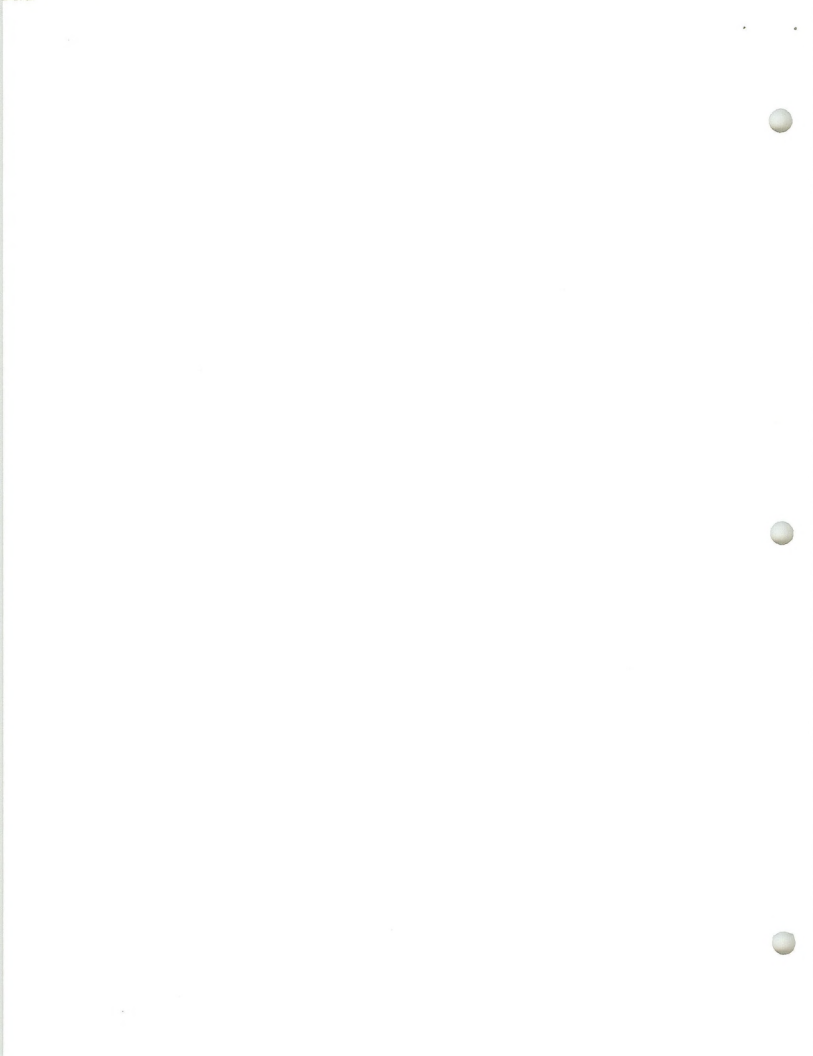
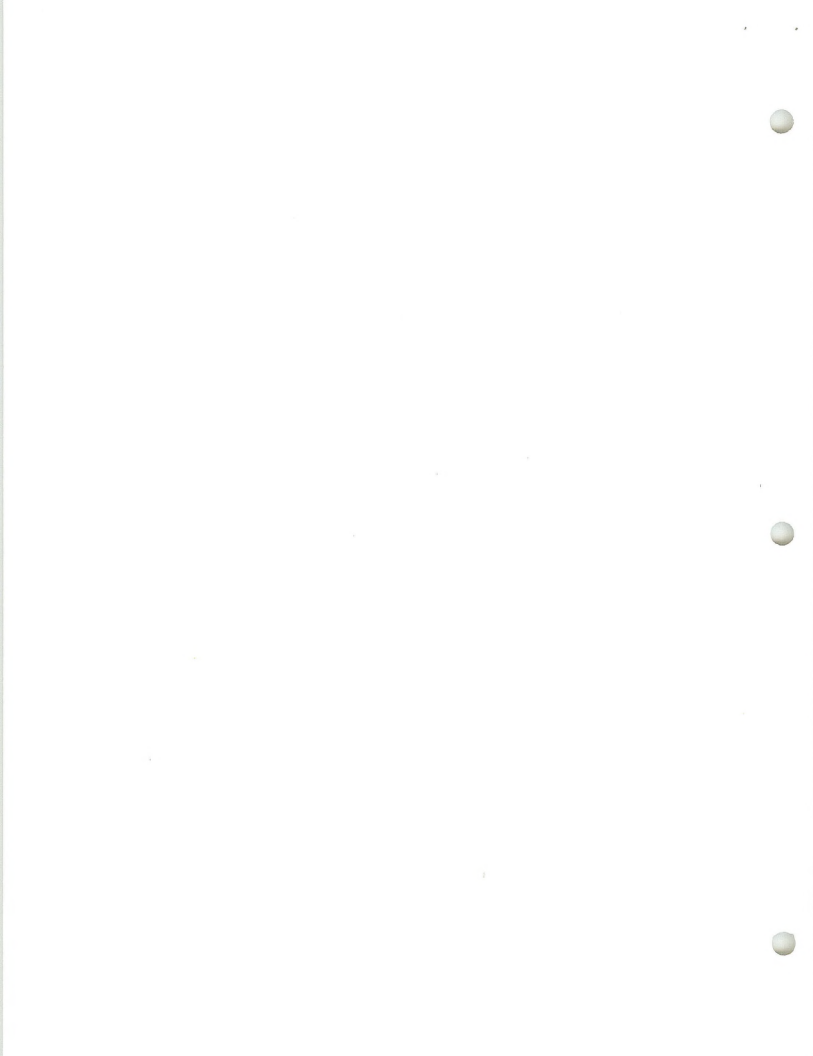


Table 10  
Elementary School Districts with Large Increases in Taxable Valuation  
or Enrollment Due to Coal Development

	<u>1976-77</u>	<u>1975-76</u>	<u>1974-75</u>	<u>1973-74</u>	<u>1972-73</u>	<u>1971-72</u>	<u>1970-71</u>
<u>Bighorn Cty</u>							
<u>SD #1 Decker</u>							
Taxable							
Valuation	\$24,190,835	\$22,164,644	\$11,993,754	\$1,128,910	\$1,199,229	\$643,547	\$636,103
Enrollment	10	7	14	9	8	12	10
Tax Base Per Student	\$2,419,084	\$3,166,378	\$856,697	\$125,434	\$149,904	\$53,629	\$63,610
<u>SD #2 Pryor</u>							
Taxable							
Valuation	\$838,976	\$884,254	\$911,292	\$834,137	\$769,891	\$743,336	\$755,434
Enrollment	84	89	76	70	69	72	51
Tax Base Per Student	\$9,988	\$9,935	\$11,991	\$11,916	\$11,158	\$10,324	\$14,812
<u>SD #17H Hardin*</u>							
Taxable							
Valuation	\$18,378,809	\$12,662,002	\$11,520,441	\$8,928,671	\$8,308,367	\$8,508,487	\$8,176,958
Enrollment	1,223	1,218	1,186	1,243*	1,236*	1,242*	1,318*
Tax Base Per Student	\$15,028	\$10,396	\$9,714	\$7,183	\$6,722	\$6,851	\$6,204
<u>Rosebud Cty</u>							
<u>SD #4 Forsyth</u>							
Taxable							
Valuation	\$5,280,523	\$5,389,796	\$5,295,415	\$4,614,223	\$4,258,427	\$4,110,506	\$3,802,933
Enrollment	471	480	446	447	403	381	373
Tax Base Per Student	\$11,211	\$11,229	\$11,873	\$10,323	\$10,567	\$10,789	\$10,196

\* Hardin enrollments 1970 through 1974 reflect the addition of two-thirds of the reported junior high school enrollment to the elementary school enrollment.



## Elementary School Districts - Continued

1976-77      1975-76      1974-75      1973-74      1972-73      1971-72      1970-71

SD #12 Rosebud

Taxable							
Valuation	\$2,098,356	\$2,239,725	\$2,693,508	\$2,299,028	\$2,141,953	\$2,215,022	\$2,400,856
Enrollment	107	105	102	85	72	95	89
Tax Base Per Student	\$19,611	\$21,331	\$26,407	\$27,047	\$29,749	\$23,316	\$26,976

SD #19 Colstrip

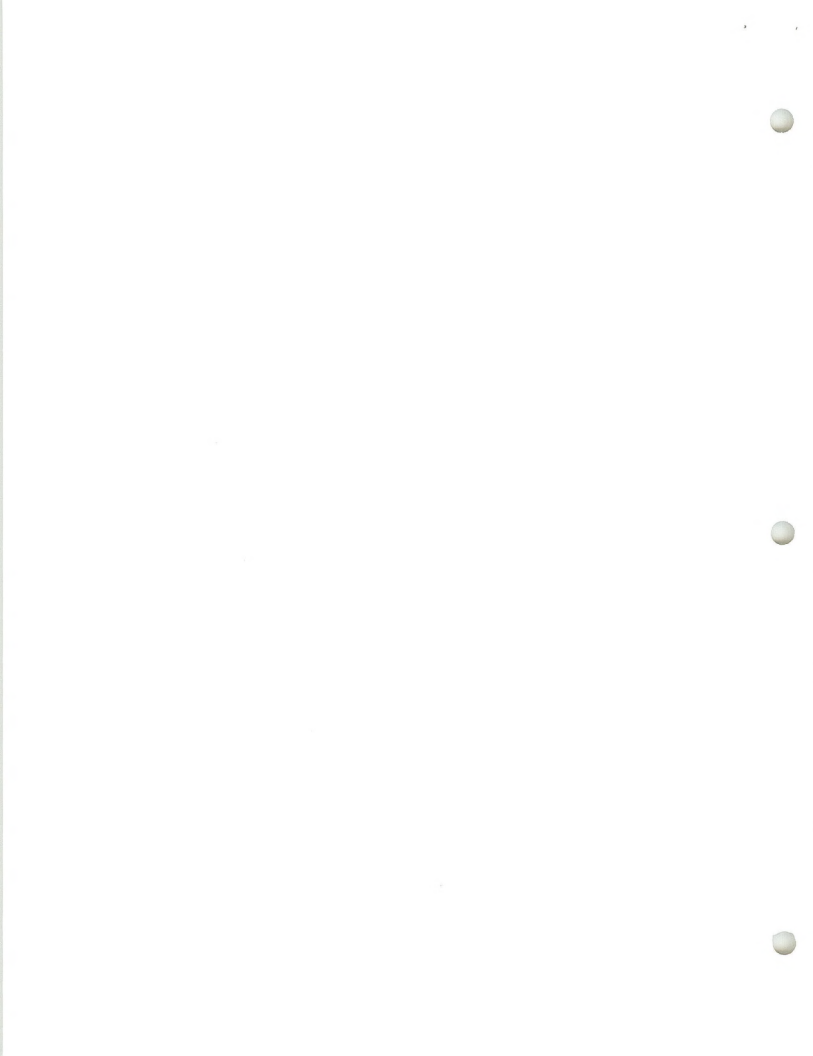
Taxable							
Valuation	\$42,747,194	\$22,393,341	\$10,207,513	\$8,031,340	\$6,995,460	\$3,496,231	\$1,937,129
Enrollment	399	472	277	178	141	126	89
Tax Base Per Student	\$107,136	\$47,444	\$36,850	\$45,120	\$49,613	\$27,748	\$21,765

SD #26-32 Ashland

Taxable							
Valuation	\$1,370,601	\$1,467,740	\$1,367,447	\$1,169,152	\$1,058,861	\$973,537	\$968,283
Enrollment	96	98	90	82	75	87	99
Tax Base Per Student	\$14,227	\$14,977	\$15,194	\$14,258	\$14,118	\$11,190	\$9,781

SD #31-33 Ingomar

Taxable							
Valuation	\$10,403,534	\$7,783,453	\$3,158,437	\$2,516,765	\$1,881,773	\$1,669,708	\$2,042,819
Enrollment	25	20	20	20	19	19	19
Tax Base Per Student	\$416,141	\$389,173	\$157,922	\$125,838	\$99,041	\$87,879	\$107,517



The tables reflect that the tax base in the Hardin, Colstrip and Lodge Grass high school districts and Hardin, Colstrip, and Decker, elementary districts have increased substantially. Expanded coal mining activity and the inclusion of gross proceeds in the tax base account for nearly all of the increase.

The growth in the tax base of Forsyth high school and the Ingomar elementary district primarily results from oil development.

Table 11 compares the taxable valuation, the tax base per student, and the district mill levy for school districts comparable in enrollments to the "impacted" school districts.

The underlined districts are the "impacted" districts.





Table 11

Comparison of Taxable Valuation, Tax Base Per Student and  
Mill Levies of School Districts with Comparable Enrollments (1976-77)

<u>High School Districts</u>	<u>Enrollment</u>	<u>Taxable Valuation</u>	<u>Tax Base Per Student</u>	<u>Total Mills</u>
<u>Hardin</u>	551	\$19,647,030	\$35,657	12.66
Beaverhead Co.	572	14,251,797	24,916	23.05
Hamilton	582	7,112,574	12,221	27.10
Polson	482	12,195,884	25,303	26.62
Powell Co.	504	10,461,763	20,757	7.52
<u>Forsyth</u>	235	15,684,057	66,741	13.78
<u>Colstrip</u>	198	44,387,328	224,178	10.29
Choteau	245	8,036,725	32,803	17.06
Fairfield	185	3,003,538	16,235	30.29
Frenchtown	230	5,844,694	25,412	29.34
Plentywood	232	5,909,703	25,473	25.67
Poplar	240	6,267,109	26,113	18.19
Shepherd	182	1,581,869	8,692	32.60
Thompson Falls	225	4,470,179	19,867	34.96
Whitehall	251	3,759,379	14,978	41.27
<u>Elementary Districts</u>				
<u>Hardin</u>	1,223	18,378,809	15,028	22.86
Browning	1,008	5,689,630	5,644	25.63
Glasgow	1,029	9,125,494	8,868	49.37
Lewistown	1,175	9,311,046	7,924	47.89
Livingston	1,230	9,611,724	7,814	34.07
Miles City	1,023	10,960,144	10,714	54.69
<u>Forsyth</u>	471	5,280,523	11,211	26.29
<u>Colstrip</u>	399	42,747,194	107,136	11.56
Frenchtown	462	5,884,694	12,651	67.41
Harlem	438	2,091,490	4,775	24.56
Lolo	474	2,237,378	4,720	42.73
Plentywood	413	5,909,703	14,309	36.00
Thompson Falls	407	4,432,499	10,891	29.08
Townsend	404	4,578,421	11,333	14.34
Whitehall	509	2,510,809	4,933	49.72
<u>Ashland</u>	96	1,370,601	14,227	16.12
<u>Rosebud</u>	107	2,098,356	19,611	35.34
Drummond	98	2,052,477	20,944	32.65
Geraldine	126	4,059,062	32,215	32.63
Rudyard	117	1,709,710	14,613	44.30
Sun River	135	826,838	6,125	38.37
Turner	89	1,611,868	18,111	23.40
Ulm	113	597,620	5,289	45.50



The comparisons indicate that with the exception of the Forsyth, Rosebud and Ashland elementary districts the "impacted" school districts have a greater ability to finance their own needs than other school districts with similar enrollments.

In addition, the "impacted" districts are generally levying significantly fewer mills to finance the operations and building requirements.

The coal board has approved ten grants totaling \$7,907,299 to eight school districts. Of the ten grants, seven were awarded to school districts that have had large increases in taxable valuations and have high tax bases per student.

Table 12 lists the grant recipients and the amount of the grants each received.

Table 12. Local Impact Grants to School Districts

<u>Project Number</u>	<u>School District</u>	<u>Amount</u>
2	Colstrip Elementary	\$ 449,921
3	Colstrip High School	317,185
2/3	Colstrip Elementary	24,000
	Colstrip High School	76,000
4	Ashland Elementary	800,000
5	Rosebud Elementary	465,000
7	Forsyth Elementary	2,500,000
8	Forsyth High School	27,000
28	Hardin Elementary	2,041,648
29	Hardin High School	1,168,000
59	Colstrip Elementary	<u>38,545</u>
		\$7,907,299



### Colstrip Districts

The coal board has approved \$905,651 of grants to the Colstrip elementary and high school districts. The ability of these districts to financially support schools without state support seems clear: taxable valuations per student are about ten times those of similar districts. The Colstrip districts levy less than half the mills similar districts levy.

### Hardin Districts

The \$3,209,648 of grants to the Hardin school districts purchased outright new schools for both districts. The number of students enrolled in Hardin school in 1976-77 is nine fewer than were enrolled in the 1970-71 school year. The taxable valuation during the same period more than doubled in the elementary district and nearly doubled in the high school district.

Table 13  
Hardin School Enrollment and Taxable Vauation 1971 - 1977

	<u>1970-71</u>	<u>1976-77</u>	<u>% Increase (Decrease)</u>
Hardin Elementary	1,063	1,223	
Hardin Junior High	382	-0-	
Hardin High School	<u>338</u>	<u>551</u>	
	1,783	1,774	(.5)
Taxable Valuation			
High School	\$10,006,356	\$19,647,030	96.3
Elementary	8,176,958	18,378,809	124.8



In this instance, state funds were used to purchase schools in an area that was not adversely affected by coal development. Enrollment was stable and valuations were rapidly increasing.

Grant number seven purchased a new elementary school in Forsyth. The taxable valuation of the district has increased 38.9 percent since 1971. The enrollment increased 26 percent over the same period. Since the tax base has expanded faster than the enrollment, the wisdom in allocating state funds is questionable.

Grant number four enabled the Ashland school district to purchase six additional classrooms, a gym and additional storage space. The taxable valuation of the district has increased 41.5 percent in six years while the enrollment is three fewer than in 1970-71.

Grant number five to Rosebud elementary school district adds three new classrooms and music and kindergarten rooms. The enrollment has increased 20 percent since 1971 while the taxable valuation and the tax base per student have declined.

In summary, with the exception of the Rosebud elementary grant, the allocations to school districts can be questioned from two standpoints. Either the districts were not experiencing increased enrollments or increasing valuations more than enabled districts with rising enrollments to financially support the higher costs.

#### Miles Community College

The coal board granted \$1,529,663 to Miles community college to construct a library and business vocational trades building.





The coal board staff recommendation stated "While Miles Community College has experienced growth, it does not appear to be in excess of normal community college growth when compared to Dawson Community College and Flathead Valley Community College and thus not a direct result of coal development."

Though the Miles community college enrollment increased at a somewhat greater rate than the other community colleges, evidence to indicate that it is related to coal development is lacking.

The state department of lands has not certified that coal development has impacted the Miles City area. Unless this certification is forthcoming, the funds will not be made available.

#### Summary

Our review of counties, incorporated towns and school districts in the areas certified as impacted by coal development shows that, with few exceptions, the impacted units have the means to finance the required expenses without state support. The coal area is characterized by some of the lowest mill levies in the state and has been blessed by mushrooming property valuations.

This analysis would indicate that the need for state supported local impact grants may be much less than originally anticipated by the legislature.

While the statutory direction to the coal board is broad as to the uses of impact grants, it is questionable whether grants awarded



to date comply with the board's own policies. Specifically, grants have been awarded where there is no expansion in affected populations and where the local tax efforts are among the lowest in the state. Allocations of state funds in such instances represent property tax relief to those areas most able to pay their own way.

Recommendation

We recommend that the legislative finance committee and the legislative tax oversight committee urge the coal board to approve grants only

1. To units that tax themselves at levies equal to governmental units in similar geographic and demographic situations; and
2. To units that demonstrate increases in affected populations resulting from coal development; and
3. For projects that are similar in scope and cost to those of similar governmental units.



# Appendix A - Coal Board Grants Summary

## Rosebud Co. Funded Projects

0002/0003	Colstrip Elementary High School	\$ 100,000.00
0002	Colstrip Elementary	449,921.58
0003	Colstrip High School	317,185.00
0004	Ashland Public School	800,000.00
0005	Rosebud School District	465,000.00
0006	Rosebud County Planning	32,000.00
0007	Forsyth Elementary School	2,500,000.00
0008	Forsyth High School	27,000.00
0009	Forsyth Water Treatment Distribution & Storage	615,000.00
0010	Forsyth Wastewater Pumping Station	150,000.00
0012	Forsyth Sewage Collection, Treatment & Disposal	25,000.00
0014	Colstrip Sewage Treatment	538,000.00
0015	Ashland Water & Sewer	71,080.00
0016	Rosebud County Jail	100,000.00
0022	16 Judicial District	15,000.00
0022	16 Judicial District - Amended	14,000.00
0027	Forsyth Capital Equipment	154,682.53
0031	Sagebrush Library Federation	61,100.00
0037	Colstrip Street Cleaning & Fire Equipment	83,000.00
0038	Colstrip Water Treatment System	457,272.00
0057	Forsyth Water Distribution Mains	87,000.00
0058	Forsyth Capital Equipment #2	58,500.00
0059	Colstrip Elementary School Equipment	38,544.70
0060	Rosebud County Water & Sewer District	51,000.00
0062	Ashland Volunteer Fire Department	45,000.00
0064	Forsyth Solid Waste System Improvements	145,000.00

Total

\$7,400,285.81

## Big Horn Co. Funded Projects

0017	Hardin Sewer Lagoon	\$ 231,135.00
0018	Hardin Capital Equipment	128,154.76
0019	Lodge Grass Capital Equipment	125,250.00
0024	Lodge Grass Water Line	171,872.28
0028	Hardin Elementary School	2,041,648.00
0029	Hardin High School	1,168,000.00
0046	Hardin Water System Improvements	260,900.00
0047	Hardin Sewer Trunk Main	416,978.55
0063	Lodge Grass Capital Equipment	60,619.95

\$4,604,558.54

## Treasure Co. Funded Projects

0020	Hysham Water Distribution System	\$388,440.00
0030	Treasure County Health Nurse	4,490.00
0055	Hysham Sewer System	56,500.00
0061	Treasure County Patrol Car	7,768.00

Total

\$457,198.00

## McCone Co. Funded Projects

0043	McCone County Planning	\$42,500.00
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Dawson Co. Funded Projects

0042	Dawson County Census	<u>\$11,500.00</u>
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Custer Co. Funded Projects

0033	Miles Community College	\$1,529,663.00
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Big Horn, Rosebud & Treasure Co. Funded Projects

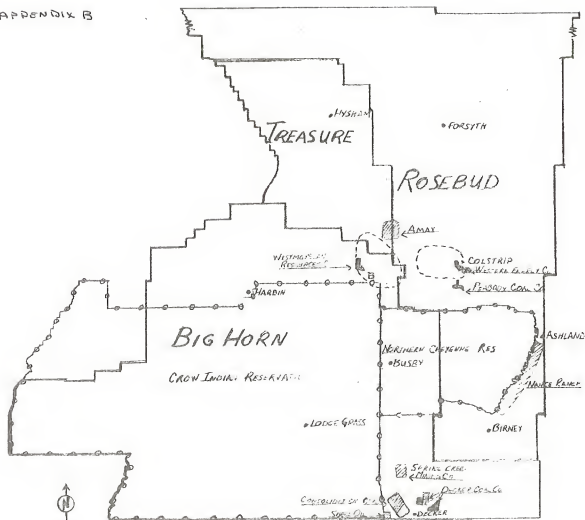
0068	Tri County Solid Water Disposal	<u>289,859.56</u>
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Total Funded Projects		<u><u>\$14,335,564.91</u></u>
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APPENDIX B



- LEGEND
- COUNTIES
- TOWNS
- COAL MINES IN OPERATION OR PERMITTED
  - ▨ COAL MINES IN PRE-PANALOG, NEGOTIATION, OR PERMIT APPLICATION STAGE
  - - - PROJECTED 20YR. MINING PLAN
  - COUNTY BOUNDARY
  - INDIAN RESERVATION BOUNDARY

